

USDA Lamb Markets Overview

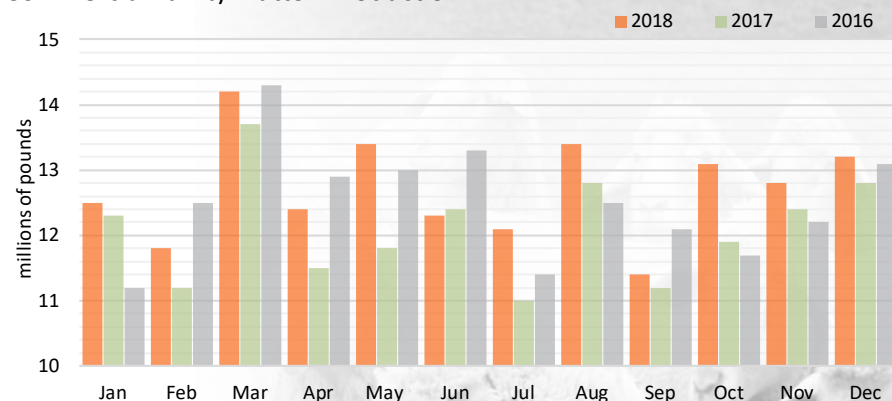
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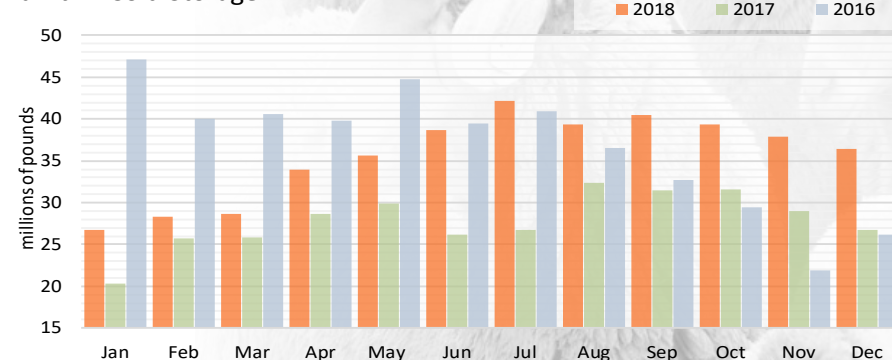
PRODUCTION: Commercial lamb and mutton production increased 3% in December, to 13.2 million pounds, 3% over the December 2017 level. Commercial sheep and lamb slaughter in December rose 4% to 201,800 head, 7% more than in December 2017. The average sheep and lamb live weight declined 2 pounds to a 131 pound average, 5 pounds lighter than a year ago. The average dressed lamb carcass weight was unchanged at 68 pounds, 2 pounds under the December 2017 level. Stocks of lamb and mutton in cold storage in December declined 4% at 36.5 million pounds, 36% above the December 2017 level.

GRADING: The preliminary volume of lambs graded Choice and Prime by the USDA during the month of January was up 6% from December and up 7% from January 2018. Nationally, the share of lambs qualifying for the Choice grade increased 3% for a 94% share with the bulk of the shift coming from the Rocky Mountain region which, with an overall share of 64%, had a 4% rise in numbers and a 5% increase in Choice. Within the Choice grade, graded lambs shifted towards the more finished end of the range with a decline in the number of lambs qualifying for YG 1-3 while YG 4 numbers rose 4% and YG 5 up 2%. In the Northwest, Choice lambs qualifying for YG 3 saw a 5% increase with more finished lambs unchanged. The Upper Midwest saw lambs Choice lambs qualifying for YG 2-3 increasing in numbers (5% and 9%, respectively), with a 6% drop in YG 2. In the Ohio Valley, lamb yield grades shifted to the center with an 8% increase in YG 3.

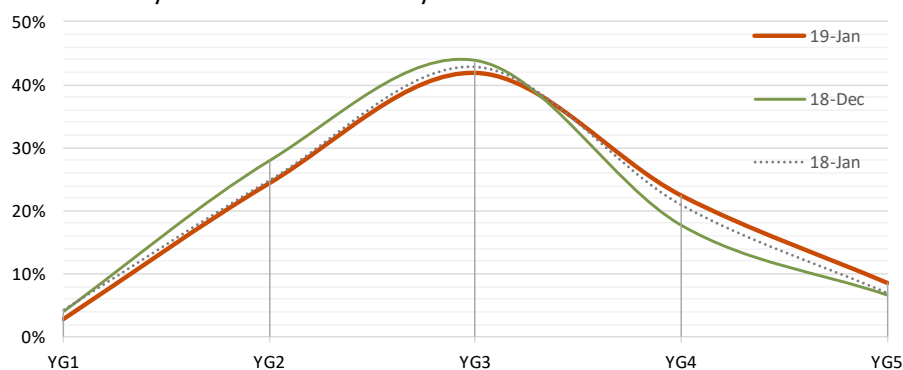
Commercial Lamb/Mutton Production



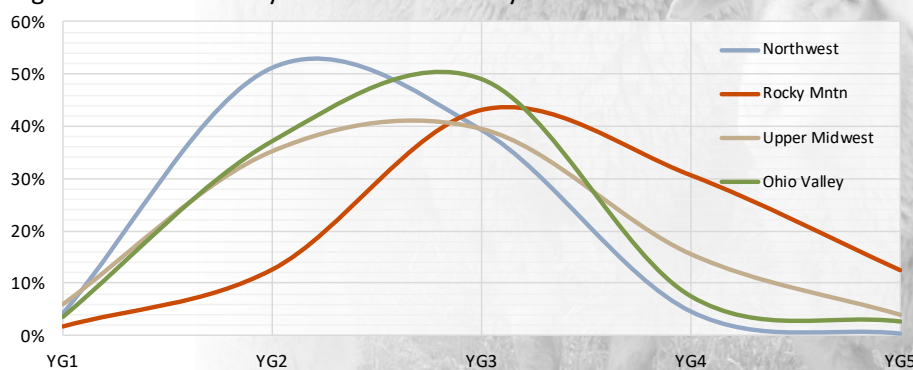
Lamb in Cold Storage



Choice Lamb by Yield Grade % - January 2019



Regional Choice Lamb by Yield Grade - January 2019

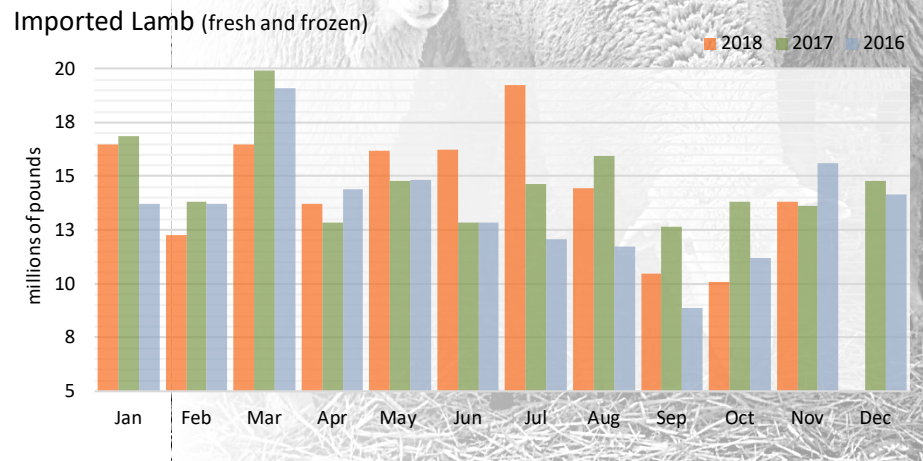
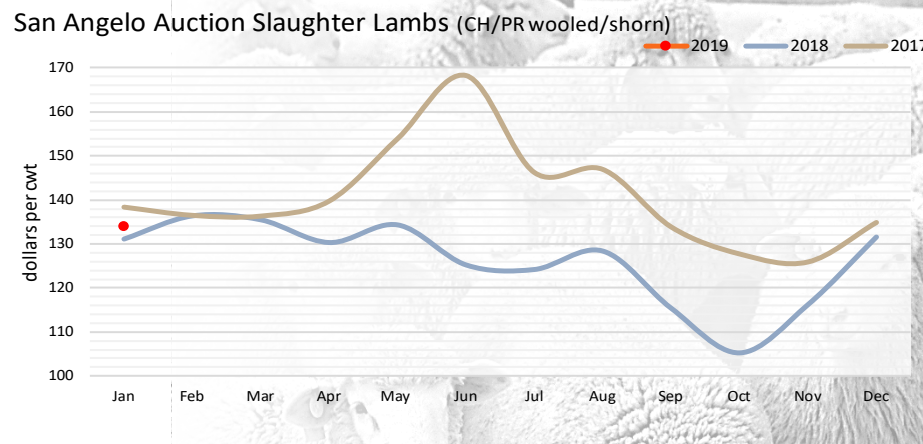
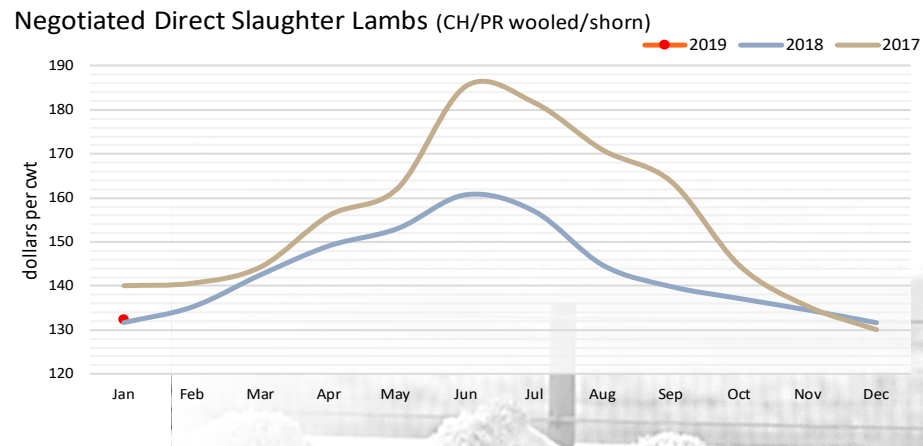


Source: USDA AMS Agricultural Analytics Division (www.ams.usda.gov/services/market-research/aad)

LIVE MARKETS: The volume of slaughter lambs trading on a direct negotiated basis in January, at 14,300 head, increased 15% from December, 12% above January 2018. After early increases, prices declined through the second half of the month but not enough to finish one percent over December 2018 (from \$131.64 to \$132.53 per cwt.) and one percent over January 2018. In auction trading, the average price for traditional Choice & Prime 2-3, 90-150 lbs. slaughter lambs at Sioux Falls, SD, was unchanged at \$133.69 per cwt, 5% below January 2018. Receipts were down 22% for the month, partially due to a market closure at the end of the month due to record cold temperatures across the Upper Midwest. In San Angelo, TX, the average price of Choice and Prime 2-3 woolled and shorn non-traditional slaughter lambs rose 2% (from \$131.50 to \$134.22 per cwt.) for the month, up 3% from last year. At the New Holland, PA, sale, the average price for Choice and Prime 2-3 woolled and shorn non-traditional slaughter lambs in January was up 12% (from \$150.97 to \$168.96 per cwt.), 6% below the January 2018 monthly average.

LAMB IMPORTS: The overall volume of fresh and frozen imported lamb carcasses and cuts rose 37% percent in November with the onset of holiday season demand. This reflects a one percent increase over November 2017 volumes. Imports of both fresh and of frozen lamb were up sharply, fresh up 52% for the month and frozen up 21%. The balance between fresh and frozen was widened as fresh increased share to 57% of all import volume. Australia remained the primary source of lamb imports with 68 percent of lamb imports in November. New Zealand imports during the month increased 65% for a 31% share of total monthly lamb imports. Canada shipped the balance of fresh lamb with Mexico and Uruguay rounding out frozen imports for the month.

Imports of whole and half lamb carcasses, virtually all in frozen form, declined 29% in November, 34% below the volume imported in November 2017. Imports of lamb legs rose 70% for the month and increasing their share of lamb imports by 2%, accounting for 10% of all lamb imports. The volume of imported shoulder cuts, fresh and frozen, rose 22% during the month, down 27% from 2017, yet lost a one percent share of imports, down to 10%. Import volume of loin cuts increased 25%, primarily in fresh form and was up 5% from 2017. Despite this rise, imports of loin cuts drop a one percent share of all lamb imports that month, accounting for 12%. The volume of imported bone-in lamb meat increased 67% and increased import share by 7% to a 37% share to become the largest category of imported lamb for the month. Imports of other boneless lamb cuts, not identified, increased 21% in volume but lost share to other cuts by 4% for a 28% share of all lamb imports.



DOMESTIC MEAT TRADE: The volume of trading of Choice and Prime, 1-4 lamb carcasses in January decreased 19% from December, 18% below last year's level. The gross lamb carcass cutout was unchanged for the month at \$3.83 per pound, 4% above January 2018. The volume of negotiated wholesale trading of fresh and frozen domestic boxed lamb cuts in January decreased 18% for the month, up 2% from last year. Negotiated trading of fresh cuts declined 18% in volume and accounted for 86% of total sales. The volume of frozen cut trading decreased 15% for the month and accounted for 14% of total domestic volume sold.

In January, traded volume for most leg and rack cuts decreased from December as holiday demand passed. The volume of wholesale sales of fresh trotter-off legs declined 58% with a 2% rise in price (from \$3.61 to \$3.68 per pound). This volume was 33% below last year's level and the average price was up 7%. Boneless legs saw a 34% decrease in sales with a 4% decrease in price for the month. This volume of sales was 18% below the 2018 level but the price was one percent above that period. Sales of medium 8-rib fresh racks declined 45% with product needs having been covered during the previous month. Sales volume was down 27% from last year. The average price rose one percent (from \$8.76 to \$8.87 per pound), 7% over last year. Frenched racks fared better, down 41% in sales with a one percent rise in the average sale price (from \$16.48 to \$16.58 per pound). The volume of trimmed 4x4 loins trading decreased 35% and the average price was down 2% (from \$5.42 to \$5.32 per pound), 5% under last year. Foreshank prices were down one percent (from \$4.28 to \$4.25 per pound), up 2% from last year. Trade volume was down 26% for the month and 27% from last year's trading. Square-cut shoulder prices declined 2% (from \$2.85 to \$2.81 per pound) while sales volume rose sharply, up 20% from the prior month's movement, 35% behind 2018.

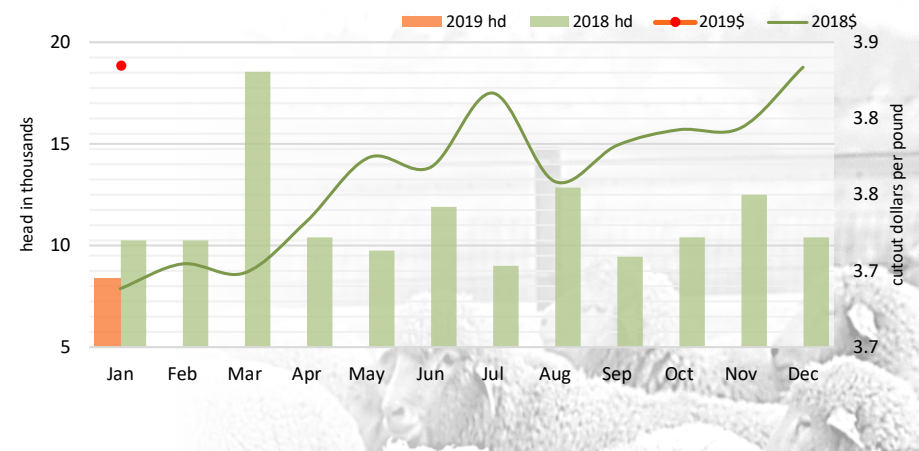
IMPORTED MEAT TRADE: The overall volume of negotiated sales imported boxed lamb cuts decreased 25% in January, 7% below 2017. Sales of fresh product decreased 64% for the month while frozen cut sales were down 18% as the December holiday demand period passed. Imports accounted for 71% of all boxed lamb cut sales in January, down 2% in share from December.

Jan. Negotiated Sales of Imported Lamb
(change in primal price and sales volume)

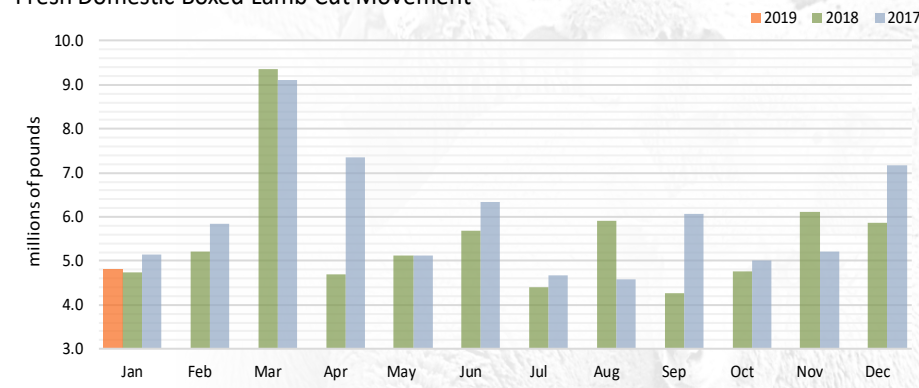
| | Australia | | New Zealand | |
|---------------|-----------|------|-------------|------|
| | price | lbs. | price | lbs. |
| Fresh | | | | |
| racks | 102 | 71 | -- | -- |
| loins | 97 | 87 | -- | -- |
| legs | 108 | 2 | -- | -- |
| shoulders | 102 | 82 | -- | -- |
| foreshanks | 0 | 0 | -- | -- |
| Frozen | | | | |
| racks | 104 | 77 | 100 | 98 |
| legs | 101 | 63 | -- | -- |
| shoulders | 109 | 106 | -- | -- |
| foreshanks | 100 | 119 | -- | -- |

In January, the overall volume of sales of fresh Australian boxed lamb cuts decreased 29% as spot market business for the December holiday demand season ended. Average prices for fresh cuts were mixed with foreshanks not tested. Sales volume

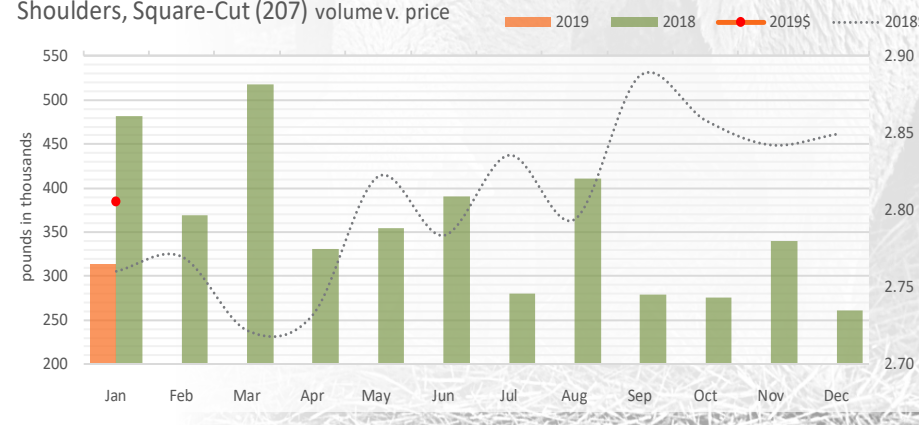
Lamb Carcass Sales vs. Lamb Cutout (CH & PR, 1-4)



Fresh Domestic Boxed Lamb Cut Movement



Shoulders, Square-Cut (207) volume v. price



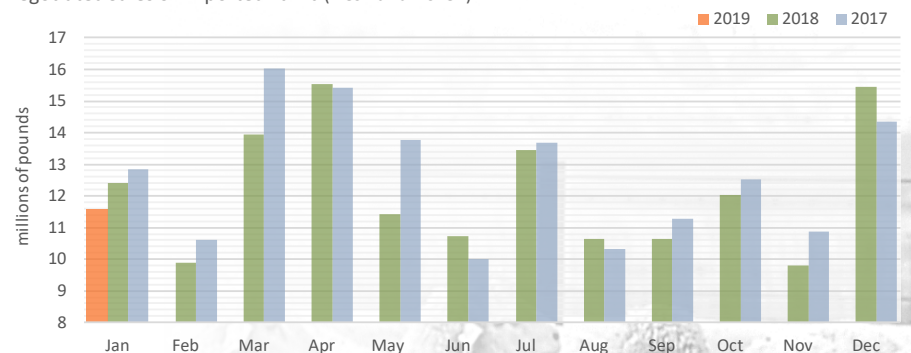
for all fresh imported lamb cuts declined in January. Legs, most popular during the Christmas season, saw the largest decline in sales volume and the largest rise in the average sale price, up 8% on a very limited test. Loin cuts declined 13% in volume and posted the only decline in prices for fresh cuts, down 3%. Prices for racks and shoulder cuts rose 2% as volume for both declined.

Sales of frozen Australian lamb cuts also saw a decline in the post-holiday demand season, down 21% in volume in January. Average prices for frozen Australian lamb cuts were up for all cuts. Frozen foreshanks had a 19% rise in volume while prices were unchanged. Shoulder cuts also saw a rise in sales volume, up 6%, while prices rose 9%. Sales volume of frozen racks and legs declined in January and prices rose on the reduced volumes. Sales of frozen imported lamb rack cuts from New Zealand declined 2% in volume while prices remained unchanged.

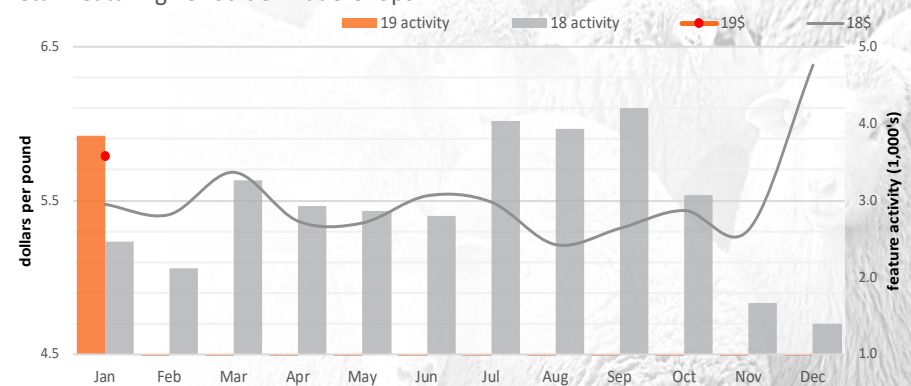
RETAIL MARKETING: Supermarket feature activity for lamb cuts in January, both domestic and imported, fresh and frozen, declined sharply in seasonal fashion, down 43% as the holiday demand season ends but 36% more active than in January 2018. Featuring of shoulder cuts dominated all other lamb cuts in January with 43% of marketing share. Contrast this with 9% share in December. Average ad prices for shoulder chops were up over January 2018, 6% for blade chops and 10% for round bones. Marketing of leg cuts was the opposite of shoulder cuts in January as the premier demand period for legs passed. Lamb leg share of advertising, dominate in December with 59%, dropped to 8% in January as featuring of legs all but disappeared. Average ad prices for the various leg cuts were mostly lower.

Supermarket featuring of loin cuts was consistent with the December pace but the sharp decline in leg ads allowed loin cuts to increase their monthly share of retail marketing, up 10% to a 23% share. Average ad prices increased 2% over December and 3% over the same period in 2018. Similar to legs, lamb cuts from the rack also saw a decline in activity, down 72% from December with a 15% rise in the average ad price. Compared to a year ago, this was 13% more ad exposure at a 44% higher average ad price. Ground lamb and lamb stew meat features also increased in January once the focus on legs and racks shifted moving into the new year. Marketing share increased 11% to a 13% share of lamb cut features. Average ad prices rose 68% for the month. Ad space made a little more room for some breast offers at consistent average ad prices and for shanks at a slightly higher average ad price, up 8%.

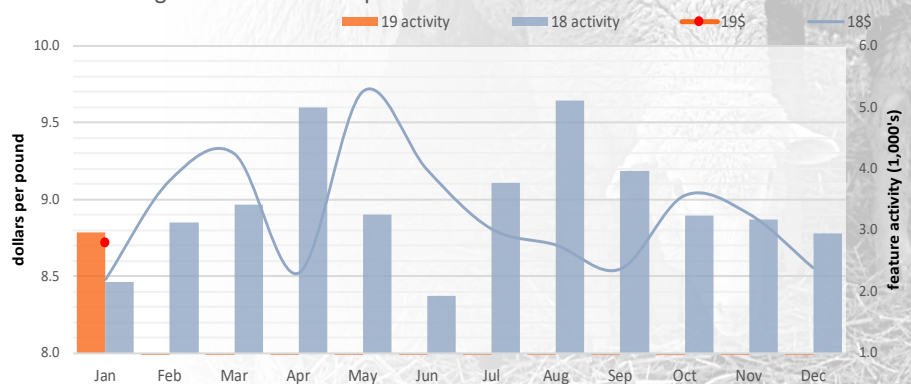
Negotiated Sales of Imported Lamb (fresh and frozen)



Retail Featuring - Shoulder Blade Chops



Retail Featuring - Bone-in Loin Chops



Pasture and Range Condition: This report will be issued again starting in April 2019.

(derived from the Weekly NASS Crop Progress reports issued April to November)

Regional Consists - Ohio Valley (MI, NY, OH, PA); Upper Midwest (IA, MN, WI); Rocky Mountain (CO, ID, MT, SD, UT, WY); Northwest (CA, OR, WA). Ratings based on percentages described as excellent, good, fair, poor, and very poor.

LAMB PELTS/WOOL: In January, the average estimated per pelt credits returned to producers for both shorn and unshorn pelts were mostly unchanged with the credit for Supreme shorn pelts up \$0.22 per pelt and the credit for Premium grade unshorn pelts up \$0.03. The share of unshorn pelts increased 7% in January, accounting for 79% of all pelts.

Trading of domestic wool in January, both clean and greasy, was inactive through the month.

| January Avg Lamb Pelt Credit Prices | | | | |
|-------------------------------------|---------|--------|--------|--------|
| | Unshorn | | Shorn | |
| | credit | change | credit | change |
| Supreme | 2.28 | 0.22 | 0.38 | 0.00 |
| Premium | -0.22 | 0.03 | -0.88 | 0.00 |
| Standard | -1.00 | 0.00 | -1.25 | 0.00 |
| Fair | -0.75 | 0.00 | -1.75 | 0.00 |
| Mixed | -1.00 | 0.00 | -2.38 | 0.00 |
| Damaged | -1.88 | 0.00 | -2.38 | 0.00 |
| Consist % | 79% | | 21% | |



Summary of Supermarket Feature Activity of Lamb Cuts During the 2018 Thanksgiving and Christmas/Hanukkah Marketing Periods.

Thanksgiving/Christmas - Supermarket Featuring of Lamb Cuts

| Product Source: Source Marketing Share: | Domestic | | Australia | | New Zealand | | Not Identified ¹ | |
|--|------------|-------|------------|-------|-------------|-------|-----------------------------|-------|
| | share | \$/lb | share | \$/lb | share | \$/lb | share | \$/lb |
| Leg Cuts | 57% | | 42% | | 37% | | 75% | |
| Bone-in Leg..... | 14% | 5.72 | 9% | 6.49 | 23% | 9.32 | 8% | 6.07 |
| Bn-in Leg, butt half..... | 7% | 5.12 | -- | -- | -- | -- | 1% | 6.13 |
| Bn-in Leg, shank half..... | 8% | 5.68 | -- | -- | -- | -- | 1% | 6.37 |
| Semi-bnls Leg..... | 8% | 7.00 | 15% | 5.44 | -- | -- | 55% | 5.80 |
| Semi-bnls Leg, butt half..... | 3% | 6.79 | -- | -- | -- | -- | -- | -- |
| Semi-bnls Leg, shank half..... | 0.2% | 6.99 | -- | -- | -- | -- | 1% | 6.99 |
| Boneless Leg..... | 14% | 7.89 | 18% | 6.46 | 14% | 11.29 | 9% | 7.17 |
| Boneless Leg Half..... | 3% | 6.96 | -- | -- | -- | -- | 1% | 7.99 |
| Rack Cuts | 8% | | 27% | | 63% | | 8% | |
| Rack..... | 6% | 16.96 | 14% | 12.15 | 25% | 21.59 | 6% | 16.27 |
| Rack, frenched..... | 1% | 20.34 | 14% | 13.83 | 4% | 21.99 | 2% | 19.89 |
| Rack, corwn roast..... | 0.3% | 22.90 | -- | -- | 34% | 21.89 | -- | -- |
| Rib chops..... | 1% | 21.20 | -- | -- | -- | -- | 0.1% | 12.99 |
| Shoulder Cuts | 21% | | 7% | | 0.3% | | 11% | |
| Shldr, blade-bone chop..... | 9% | 5.15 | 4% | 5.27 | 0.3% | 2.99 | 5% | 5.01 |
| Shldr, round-bone chop..... | 12% | 6.06 | 3% | 5.41 | -- | -- | 5% | 5.05 |
| Other Cuts | 14% | | 24% | | 0% | | 7% | |
| Loin chops..... | 10% | 10.80 | 17% | 7.74 | -- | -- | 6% | 10.19 |
| Foreshanks..... | 2% | 5.93 | -- | -- | -- | -- | 1% | 5.47 |
| Breast..... | 0.4% | 3.77 | -- | -- | -- | -- | -- | -- |
| Ground lamb, 80% lean..... | 2% | 7.25 | 7% | 5.94 | -- | -- | 0.0% | 3.79 |

¹: product country of origin not identified in supermarket circular.